

## What Does Health Care Reform and Small Businesses?

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Small business owners and their workers account for the largest share of the uninsured. An estimated 27 million of the 47 million Americans without health insurance are small business owners and their workers. Health care reform legislation provides market reforms and assistance to help small business owners and their employees afford health coverage.

Reform creates new tax cuts for small business owners to help them afford coverage for themselves and employees. There are up to 205,900 Michigan small businesses (20,100 in the 9<sup>th</sup> district alone) who will receive tax credits to help purchase insurance for their employees.

Reform also eliminates price and benefit discrimination against small businesses. A Commonwealth Fund study found the smallest firms pay an average of 18 percent more in health insurance premiums for the same benefits than larger firms. A centerpiece of health care reform legislation will be the creation of new insurance “exchanges,” online marketplaces on which multiple insurance companies will compete for individual and small business customers (Members of Congress currently purchase coverage on an exchange, and reform legislation requires them to purchase coverage on one of the new exchanges open to other Americans). By allowing small businesses to enter a larger pool and save on administrative costs in an exchange, health care reform will lower small business costs and increase options. 229,800 Michigan businesses could benefit from the exchange. 22,000 of those businesses are in the 9<sup>th</sup> district, more than any other district in the state.

If health care reform is enacted, small businesses could save as much as \$855 billion over 10 years, nearly 36 percent. This money can be reinvested in the business and jobs.

### **Facts about Small Business in Michigan**

- Michigan had 183,325 small employers in 2006, representing 96% of the state’s employers and 36% of its private-sector employment.
- 648,426 self-employed make up 15% of Michigan’s employment and with the state’s small business employees together make up 45% of the workforce.
- Just 41% of firms with fewer than 50 employees in Michigan offer health insurance.
- Michigan’s small business owners and self-employed will spend \$4.9 billion in healthcare premiums in 2009.
- According to projections based on research by MIT economist Jonathan Gruber, that number will more than double to \$10.7 billion by 2018 without health care reform.

*According to Small Business Majority Surveys conducted between December 2008 and August 2009:*

- 67% of small business owners say reform is urgently needed to fix the US economy
- 86% of small businesses owners who don’t offer health coverage to their employees say they can’t afford to provide it

- 72% of those who do offer it say they're struggling to afford it.
- 66% of respondents are willing to share the responsibility for making health insurance affordable along with insurers, healthcare providers, individuals and government

### **Health Care Reform Will Lower Health Care Costs for Small Businesses**

- Starting in 2010, provides \$40 billion in tax credits over the next decade to help 3.6 million small business owners pay health insurance premiums. 205,000 small businesses in Michigan will receive tax credits under the bill.
- Increases negotiating leverage by creating insurance "exchanges," online marketplaces on which multiple insurance companies will compete for individual and small business customers. Buying with other small businesses in larger pools will help small businesses lower costs and be more competitive with their larger competitors.
- Reforms insurance rules to lower costs and reduce annual premium inflation. The reforms end discriminatory practices against small businesses, such as denying coverage or raising rates because of health status, age or preexisting conditions.
- Prevents large unjustified premium increases
- Implements cost containment provisions that will reduce the long-term rate of insurance premium inflation, such as converting to electronic medical records, reducing waste, fraud and abuse in Medicaid and Medicare and promoting medical malpractice reforms in states
- Provides individual tax credits on a sliding scale for 2.4 million Michiganders, many of whom are employed by small businesses.

### **Health Care Reform Will Lower Health Care Costs for the Self-Employed**

- The self-employed will also be eligible for tax credits to help offset premiums.
- Our current health care system provides a disincentive for Michiganders to start their own business. Twenty-two million self-employed entrepreneurs suffer the highest costs today in the individual insurance market and have the least buying power to negotiate premiums.
- Health care reform will allow the self-employed to pool with other individuals and small business owners to buy coverage through an exchange to purchase lower cost insurance.
- The self-employed will be protected by insurance reforms that will prevent rejections and discriminatory pricing of insurance coverage due to preexisting conditions, age, health status and other factors.